

TOWNSHIP OF ADAMS
HILLSDALE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

| | | | |
|--|--|---------------------------|--------------------|
| Unit Name* TOWNSHIP OF ADAMS | County* HILLSDALE | Type* TOWNSHIP | MuniCode* 30-1-010 |
| Opinion Date-Use Calendar* Oct 3, 2008 | Audit Submitted-Use Calendar* Oct 14, 2008 | Fiscal Year End Month* 03 | Fiscal Year* 2008 |

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

| | |
|---------------------------------------|--|
| <input checked="" type="checkbox"/> ? | 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements? |
| <input checked="" type="checkbox"/> ? | 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets? |
| <input checked="" type="checkbox"/> ? | 3. Were the local unit's actual expenditures within the amounts authorized in the budget? |
| <input checked="" type="checkbox"/> ? | 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury? |
| <input checked="" type="checkbox"/> ? | 5. Did the local unit adopt a budget for all required funds? |
| <input checked="" type="checkbox"/> ? | 6. Was a public hearing on the budget held in accordance with State statute? |
| <input checked="" type="checkbox"/> ? | 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division? |
| <input checked="" type="checkbox"/> ? | 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act? |
| <input checked="" type="checkbox"/> ? | 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy? |
| <input checked="" type="checkbox"/> ? | 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.) |
| <input checked="" type="checkbox"/> ? | 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.) |
| <input checked="" type="checkbox"/> ? | 12. Is the local unit free of repeated reported deficiencies from previous years? |
| <input checked="" type="checkbox"/> ? | 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA |
| <input checked="" type="checkbox"/> ? | 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)? |
| <input checked="" type="checkbox"/> ? | 16. Has the board or council approved all disbursements prior to payment as required by charter or statute? |
| <input checked="" type="checkbox"/> ? | 17. To your knowledge, were the bank reconciliations that were reviewed performed timely? |
| <input type="checkbox"/> ? | 18. Are there reported deficiencies? 19. If so, was it attached to the audit report? |

| | |
|----------------------------|--|
| General Fund Revenue: | <input type="checkbox"/> ? \$ 254,553.00 |
| General Fund Expenditure: | <input type="checkbox"/> ? \$ 221,257.00 |
| Major Fund Deficit Amount: | \$ 0.00 |

| | |
|--|--|
| General Fund Balance: | <input type="checkbox"/> ? \$ 497,900.00 |
| Governmental Activities Long-Term Debt (see instructions): | <input type="checkbox"/> ? |

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

| | | | | |
|--|--|--------------------------------------|-------------------|------------------------------|
| CPA (First Name)* GREG | Last Name* BAILEY | Ten Digit License Number* 1101022915 | | |
| CPA Street Address* 479 E CHICAGO ST BOX 215 | City* JONESVILLE | State* MI | Zip Code* 49250 | Telephone* +1 (517) 849-2410 |
| CPA Firm Name* BAILEY, HODSHIRE & COMPANY | Unit's Street Address* 5675 KNOWLES RD | Unit's City* NORTH ADAMS | Unit's Zip* 49262 | |

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Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Township of Adams
Hillsdale County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Adams as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Adams as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 19 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Adams' basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bailey, Hodshire + Company, P.C.

October 3, 2008

Jonesville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF ADAMS

This section of Adams Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements which follow this section.

Financial Highlights

- The Township's total combined net assets increased by \$32,544 between April 1, 2007 and March 31, 2008
- The general fund reported a fund balance of \$497,900, which is an increase of \$28,296 from the prior year fund balance.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps explain the condition of the Township. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the table below shows the net assets of the Township as of the end of the year:

TABLE 1 - NET ASSETS

| | <u>2007</u> | <u>2008</u> |
|---|-------------------|-------------------|
| Assets: | | |
| Current Assets | \$ 539,197 | \$ 569,535 |
| Capital Assets (net of depreciation) | <u>65,356</u> | <u>68,308</u> |
| Total Assets | <u>\$ 604,553</u> | <u>\$ 637,843</u> |
| Liabilities: | | |
| Current Liabilities | \$ 504 | \$ 1,250 |
| Long-term Liabilities | <u>0</u> | <u>0</u> |
| Total Liabilities | <u>\$ 504</u> | <u>\$ 1,250</u> |
| Net Assets: | | |
| Invested in Capital Assets, net of related debt | \$ 65,356 | \$ 68,308 |
| Restricted | <u>0</u> | <u>0</u> |
| Unrestricted | <u>538,693</u> | <u>568,285</u> |
| Total Net Assets | <u>\$ 604,049</u> | <u>\$ 636,593</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF ADAMS

The following table shows the changes in the net assets during the year:

TABLE 2 - CHANGE IN NET ASSETS

| | <u>2007</u> | <u>2008</u> |
|------------------------------------|-------------------|-------------------|
| Program Revenue: | | |
| Charges for services | \$ 72,448 | \$ 72,698 |
| Operating grants and contributions | 800 | 800 |
| General Revenue: | | |
| Property tax | 52,750 | 56,303 |
| State shared revenue | 136,023 | 135,813 |
| Unrestricted investment earnings | 11,298 | 15,931 |
| Other | <u>12,598</u> | <u>15,385</u> |
| Total Revenue | <u>\$ 285,917</u> | <u>\$ 296,930</u> |
| Expenses: | | |
| General Government | \$ 113,651 | \$ 108,346 |
| Public Safety | 19,500 | 22,800 |
| Public Works | 75,107 | 119,300 |
| Community & Economic Development | 3,031 | 3,590 |
| Culture & Recreation | <u>10,360</u> | <u>10,350</u> |
| Total Expenses | <u>\$ 221,649</u> | <u>\$ 264,386</u> |
| INCREASE IN NET ASSETS | <u>\$ 64,268</u> | <u>\$ 32,544</u> |

The Township's net assets continue to remain healthy.

Governmental Activities

Total revenues for the year increased slightly. The increase in the property tax revenue was due to the increase in valuations. There was an increase in the amount of reimbursements for fire runs due to the fact that we had the township lawyer write letters to the residents with past due fire bills. The net assets decreased because expenses were increased on road projects for the year.

The Township's Funds

The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund, the Northlawn Cemetery Fund, the Inland Lake Improvement Fund, and the Recreation Fund.

The General Fund pays for most of the Township's governmental services. The most significant are road work, road stabilization (dust control on all dirt roads) and fire protection; these areas incurred expenses of \$105,441 in 2008 and \$64,067 in 2007. The fire protection is partially supported by the reimbursement of fire calls by the residents or their insurance companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF ADAMS

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budgets to take into account events during the year. The Northlawn Cemetery budget was amended due to an increase in the charge for flags in the cemetery. The General Fund budget was amended to cover costs associated with an appraisal that was done on the Kirby Cemetery.

Capital Asset and Debt Administration

Engineering work was completed on the new Township Hall to be constructed on the south side of the Northlawn Cemetery in 2008-09.

There was a continued investment in the roads within the Township. The road work is done with the cooperation of the Hillsdale County Road Commission which performs (or contracts) the work and shares the costs. This infrastructure is not reported on the Township's financial statements because the roads are not the property of the Township. Details of the Township's capital assets are continued in the notes to the financial statements on page 16.

Economic Factors and Next Year's Budgets and Rates

The Township budget for 2008-2009 has road work scheduled in the amount of \$60,834. The Township Board has decided to build a new township hall and community building on the property that was purchased south of the Northlawn Cemetery. Estimated cost before requests for proposals is \$200,000.00.

Contacting the Township's Management

This Financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF ADAMS
STATEMENT OF NET ASSETS
MARCH 31, 2008

ASSETS

| | |
|----------------------|-------------------|
| Cash & investments | \$ 499,278 |
| Taxes receivable | 17,217 |
| Accounts receivable | 53,040 |
| Capital assets - net | <u>68,308</u> |
| Total assets | <u>\$ 637,843</u> |

LIABILITIES

| | |
|------------------|-----------------|
| Accounts payable | \$ <u>1,250</u> |
|------------------|-----------------|

NET ASSETS

| | |
|---|-------------------|
| Investment in capital assets, net of related debt | \$ 68,308 |
| Unrestricted | <u>568,285</u> |
| Total net assets | <u>\$ 636,593</u> |
| Total liabilities and net assets | <u>\$ 637,843</u> |

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ADAMS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue</u> |
|---|-------------------|---------------------------------|---|---|--------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| General Government | \$ 108,346 | \$ 30,223 | \$ 800 | \$ 0 | \$ (77,323) |
| Public Safety | 22,800 | 3,635 | 0 | 0 | (19,165) |
| Public Works | 119,300 | 28,000 | 0 | 0 | (91,300) |
| Community & Economic Development | 3,590 | 840 | 0 | 0 | (2,750) |
| Culture & Recreation | <u>10,350</u> | <u>10,000</u> | <u>0</u> | <u>0</u> | <u>(350)</u> |
| Total | <u>\$ 264,386</u> | <u>\$ 72,698</u> | <u>\$ 800</u> | <u>\$ 0</u> | <u>\$(190,888)</u> |
| General Revenues: | | | | | |
| Property tax, levied for general purposes | | | | | \$ 56,303 |
| State shared revenue | | | | | 135,813 |
| Unrestricted investment earnings | | | | | 15,931 |
| Other | | | | | <u>15,385</u> |
| Total General Revenues | | | | | <u>\$ 223,432</u> |
| Change in Net Assets | | | | | \$ 32,544 |
| Net Assets - Beginning | | | | | <u>604,049</u> |
| Net Assets - Ending | | | | | <u>\$ 636,593</u> |

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ADAMS
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

| | General Fund | Northlawn Cemetery Fund | Inland Lake Improvement Fund | Recreation Fund | Total Governmental Funds |
|------------------------------------|-------------------|-------------------------------|------------------------------------|--------------------|--------------------------------|
| ASSETS | | | | | |
| Cash & investments | \$ 429,670 | \$ 33,395 | \$ 34,049 | \$ 2,164 | \$ 499,278 |
| Taxes receivable | 6,639 | 0 | 1,305 | 0 | 7,944 |
| Accounts receivable | 10,279 | 0 | 0 | 0 | 10,279 |
| Due from other governments | 42,761 | 0 | 0 | 0 | 42,761 |
| Due from other funds | 528 | 0 | 0 | 0 | 528 |
| Due from agency fund | <u>9,273</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>9,273</u> |
| Total assets | <u>\$ 499,150</u> | <u>\$ 33,395</u> | <u>\$ 35,354</u> | <u>\$ 2,164</u> | <u>\$ 570,063</u> |
| LIABILITIES AND FUND EQUITY | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 1,250 | \$ 0 | \$ 0 | \$ 0 | \$ 1,250 |
| Due to other funds | <u>0</u> | <u>0</u> | <u>0</u> | <u>528</u> | <u>528</u> |
| Total liabilities | <u>\$ 1,250</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 528</u> | <u>\$ 1,778</u> |
| Fund Equity: | | | | | |
| Fund Balance | | | | | |
| Reserved | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Unreserved/Undesignated | <u>497,900</u> | <u>33,395</u> | <u>35,354</u> | <u>1,636</u> | <u>568,285</u> |
| Total fund equity | <u>\$ 497,900</u> | <u>\$ 33,395</u> | <u>\$ 35,354</u> | <u>\$ 1,636</u> | <u>\$ 568,285</u> |
| Total liabilities and fund equity | <u>\$ 499,150</u> | <u>\$ 33,395</u> | <u>\$ 35,354</u> | <u>\$ 1,636</u> | <u>\$ 570,063</u> |

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to the Net Assets of Governmental Activities on the Statement of Net Assets

| | |
|---|-------------------|
| Fund Balances - total governmental funds | \$ 568,285 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Add: Capital assets | 101,797 |
| Deduct: Accumulated depreciation | <u>(33,489)</u> |
| Net assets of governmental activities | <u>\$ 636,593</u> |

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ADAMS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

| | General Fund | Northlawn Cemetery Fund | Inland Lake Improvement Fund | Recreation Fund | Total Governmental Funds |
|--|-------------------|-------------------------------|------------------------------------|--------------------|--------------------------------|
| REVENUE | | | | | |
| Property taxes | \$ 56,303 | \$ 0 | \$ 28,000 | \$ 0 | \$ 84,303 |
| Administration fees | 18,328 | 0 | 0 | 0 | 18,328 |
| State shared revenue | 135,813 | 0 | 0 | 0 | 135,813 |
| Charges for services | 4,110 | 11,495 | 0 | 0 | 15,605 |
| Rent - Township Hall | 10,000 | 0 | 0 | 0 | 10,000 |
| Licenses, permits, franchise fees | 3,382 | 0 | 0 | 0 | 3,382 |
| Interest income | 14,839 | 747 | 117 | 228 | 15,931 |
| Miscellaneous | 11,778 | 800 | 0 | 990 | 13,568 |
| Total revenue | <u>\$ 254,553</u> | <u>\$ 13,042</u> | <u>\$ 28,117</u> | <u>\$ 1,218</u> | <u>\$ 296,930</u> |
| EXPENDITURES | | | | | |
| General Government | \$ 87,272 | \$ 16,881 | \$ 0 | \$ 0 | \$ 104,153 |
| Public Safety | 22,800 | 0 | 0 | 0 | 22,800 |
| Public Works | 90,100 | 0 | 29,200 | 0 | 119,300 |
| Community & Economic Development | 3,590 | 0 | 0 | 0 | 3,590 |
| Recreation & Culture | 10,350 | 0 | 0 | 0 | 10,350 |
| Capital Outlay | 7,145 | 0 | 0 | 0 | 7,145 |
| Total expenditures | <u>\$ 221,257</u> | <u>\$ 16,881</u> | <u>\$ 29,200</u> | <u>\$ 0</u> | <u>\$ 267,338</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>\$ 33,296</u> | <u>\$ (3,839)</u> | <u>\$ (1,083)</u> | <u>\$ 1,218</u> | <u>\$ 29,592</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfers in | \$ 0 | \$ 5,000 | \$ 0 | \$ 0 | \$ 5,000 |
| Operating transfers out | (5,000) | 0 | 0 | 0 | (5,000) |
| Total other financing sources (uses) | <u>\$ (5,000)</u> | <u>\$ 5,000</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| NET CHANGES IN FUND BALANCES | \$ 28,296 | \$ 1,161 | \$ (1,083) | \$ 1,218 | \$ 29,592 |
| FUND BALANCES - April 1, 2007* | 469,604 | 32,234 | 36,437 | 418 | 538,693 |
| FUND BALANCES - March 31, 2008 | <u>\$ 497,900</u> | <u>\$ 33,395</u> | <u>\$ 35,354</u> | <u>\$ 1,636</u> | <u>\$ 568,285</u> |

*General Fund restated (see Note 11)

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ADAMS
Reconciliation of Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Net changes in fund balances - total governmental funds \$ 29,592

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|------------------------------|----------------|
| Add: capital outlay | 7,145 |
| Deduct: depreciation expense | <u>(4,193)</u> |

Change in net assets of governmental activities \$ 32,544

The accompanying notes are an integral part of this statement.

TOWNSHIP OF ADAMS
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
MARCH 31, 2008

ASSETS

| | |
|-----------------|-----------------|
| Cash | \$ 8,946 |
| Due from School | <u>327</u> |
| Total Assets | <u>\$ 9,273</u> |

LIABILITIES

| | |
|------------------------------|-----------------|
| Due to Township General Fund | <u>\$ 9,273</u> |
|------------------------------|-----------------|

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Adams is located in Hillsdale County, Michigan, and comprises a population of approximately 1,984 residents. It is governed by a board consisting of 5 members with a supervisor as its head.

The following is a summary of significant accounting policies used by the Township of Adams:

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measureable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

Financial Statement Presentation

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Township reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Northlawn Cemetery Fund - established as a special revenue fund to account for the revenue and expenditures associated with the operation and maintenance of Northlawn Cemetery.

Inland Lake Improvement Fund - established as a special revenue fund to account for the revenue and expenditures associated with weed control at Lake Bel Air.

Recreation Fund - established as a capital projects fund to account for the revenue and expenditures associated with the construction of a recreation project in conjunction with surrounding municipalities.

Additionally, the Township reports the following fund type:

Fiduciary Fund/Trust and Agency Fund

Tax Collection Fund - used to account for property taxes collected from residents on behalf of the Township along with other governmental units in the county. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and investments are reported at cost.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Township maintains a capitalization threshold of \$1,000. The Township does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|--------------------------|------------------------|
| Buildings & Improvements | 50 years |
| Furniture & Fixtures | 20 years |
| Cemetery Equipment | 15 years |
| Technology | 5 years |

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net assets.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget made when deemed necessary.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

| <u>Fund</u> | <u>Description</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------|--------------------|---------------|---------------|-----------------|
| General Fund | Attorney | 2,000 | 2,128 | 128 |
| General Fund | Capital Outlay | 0 | 7,145 | 7,145 |

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes authorize the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2008, the Township's deposits are in accordance with statutory authority.

The Township's deposits and investments are subject to several types of risk, which are examined in more detail as follows:

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township minimizes credit risk by limiting investments to the types of securities allowed by State law. The Township' investment policy further limits its investments to include only the following: checking accounts, savings accounts, certificates of deposit, money market accounts, and United States Savings Bonds.

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a formal policy for custodial credit risk. At March 31, 2008, the carrying amount of the Township's bank deposits was \$508,224 and the bank's balance was \$511,836. Of the total bank balance, \$319,486 was covered by federal depository insurance and \$192,350 was uninsured. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township has no policy that specifically identifies interest rate risk.

Foreign Currency Risk - The Township is not authorized to invest in investments which have this type of risk.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 4 - RECEIVABLES

Receivables at March 31, 2008, consist of property taxes, special assessments, and fire run charges, and are considered collectible in full.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2008, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 37,118 | \$ 0 | \$ 0 | \$ 37,118 |
| Construction in Progress | <u>0</u> | <u>7,145</u> | <u>0</u> | <u>7,145</u> |
| Subtotal | <u>\$ 37,118</u> | <u>\$ 7,145</u> | <u>\$ 0</u> | <u>\$ 44,263</u> |
| Capital assets being depreciated | | | | |
| Buildings & Improvements | \$ 24,802 | \$ 0 | \$ 0 | \$ 24,802 |
| Furniture & Equipment | <u>32,732</u> | <u>0</u> | <u>0</u> | <u>32,732</u> |
| Subtotal | <u>\$ 57,534</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 57,534</u> |
| Less accumulated depreciation for | | | | |
| Buildings & Improvements | \$ (18,663) | \$ (600) | \$ 0 | \$ (19,263) |
| Furniture & Equipment | <u>(10,633)</u> | <u>(3,593)</u> | <u>0</u> | <u>(14,226)</u> |
| Subtotal | <u>\$ (29,296)</u> | <u>\$ (4,193)</u> | <u>\$ 0</u> | <u>\$ (33,489)</u> |
| Total capital assets being depreciated, net | <u>\$ 28,238</u> | <u>\$ (4,193)</u> | <u>\$ 0</u> | <u>\$ 24,045</u> |
| Total capital assets, net | <u>\$ 65,356</u> | <u>\$ 2,952</u> | <u>\$ 0</u> | <u>\$ 68,308</u> |

Depreciation expense was charged to functions/programs of the Township as follows:

| | |
|--------------------|-----------------|
| General Government | <u>\$ 4,193</u> |
|--------------------|-----------------|

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at March 31, 2008, is as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Fund</u> | <u>Interfund Payable</u> |
|--------------|-----------------------------|---------------------|--------------------------|
| General Fund | \$ 9,273 | Tax Collection Fund | \$ 9,273 |
| General Fund | <u>528</u> | Recreation Fund | <u>528</u> |
| | <u>\$ 9,801</u> | | <u>\$ 9,801</u> |

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES (continued)

Interfund transfers during the year consisted of the following:

| | |
|--|-----------|
| Transfers from Tax Collection Fund to General Fund | \$ 79,963 |
| Transfers from Tax Collection Fund to Inland Lake Improvement Fund | 28,130 |
| Transfers from Tax Collection Fund to Northlawn Cemetery Fund | 800 |
| Transfer from General Fund to Northlawn Cemetery Fund | 5,000 |

The amount due to General Fund from the Tax Collection Fund represents Township property taxes that have been collected but not yet transferred to General Fund. The amount due to General Fund from the Recreation Fund is the remaining balance of money advanced to the Recreation Fund for the recreation area project several years ago.

The transfers from Tax Collection Fund to the other three funds are for property taxes and special assessments collected on behalf of those funds. The transfer from General Fund to Northlawn Cemetery Fund is for General Fund's annual contribution toward cemetery operations.

NOTE 7 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2007 was .9234 mills for general operations on a total state taxable valuation of approximately \$60,183,000. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 9 - UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 10 - COMMITMENTS

At its March, 2008 meeting, the Township Board approved various contracts with the Hillsdale County Road Commission totaling \$49,075 (Township share) for road projects to be completed in the 2008-09 fiscal year.

At its April, 2008 meeting, the Township Board approved contracts totaling \$175,975 for the construction of a new Township Hall to be completed in the 2008-09 fiscal year.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 11 -SUBSEQUENT EVENTS

At its May, 2008 meeting, the Township Board approved the disbanding of the Inland Lake Improvement Board. Any funds remaining in the special revenue fund after the spring 2008 weed control will be returned to property owners. The private lake association will be assuming responsibility for weed control starting in 2009.

NOTE 12 - RESTATEMENTS

The balance of interest income was understated in the prior year financial statements by \$5,366 (interest added to a certificate of deposit). The beginning balances for fund balance and net assets have been restated by this amount.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF ADAMS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

| | Original <u>Budget</u> | Amended <u>Budget</u> | <u>Actual</u> | Variance With Amended <u>Budget</u> |
|--------------------------------------|---------------------------|--------------------------|-------------------|--|
| Beginning of year fund balance | \$ 469,604 | \$ 469,604 | \$ 469,604 | \$ 0 |
| Resources (inflows) | | | | |
| Property taxes | 40,000 | 40,000 | 56,303 | 16,303 |
| Administration fees | 8,000 | 8,000 | 18,328 | 10,328 |
| State shared revenue | 129,000 | 129,000 | 135,813 | 6,813 |
| Charges for services | 1,700 | 1,700 | 4,110 | 2,410 |
| Rent - Township Hall | 10,000 | 10,000 | 10,000 | 0 |
| Licenses, permits, franchise fees | 2,700 | 2,700 | 3,382 | 682 |
| Interest income | 1,000 | 1,000 | 14,839 | 13,839 |
| Miscellaneous | <u>8,250</u> | <u>8,250</u> | <u>11,778</u> | <u>3,528</u> |
| Amounts available for appropriation | <u>\$ 670,254</u> | <u>\$ 670,254</u> | <u>\$ 724,157</u> | <u>\$ 53,903</u> |
| Charges to appropriations (outflows) | | | | |
| General Government | | | | |
| Township Board | | | | |
| Salaries | 2,733 | 2,733 | 2,733 | 0 |
| Dues and subscriptions | 1,500 | 1,500 | 1,273 | (227) |
| Mileage | 1,000 | 1,000 | 403 | (597) |
| Conferences | 3,000 | 3,000 | 843 | (2,157) |
| Office equipment | 2,900 | 2,900 | 426 | (2,474) |
| Computer software | 2,000 | 2,000 | 1,993 | (7) |
| Attorney | 2,000 | 2,000 | 2,128 | 128 |
| Communications | 1,300 | 1,300 | 1,136 | (164) |
| Payroll tax | 3,500 | 3,500 | 2,862 | (638) |
| Printing and publishing | 1,000 | 1,000 | 391 | (609) |
| Insurance and bonds | 13,000 | 13,000 | 11,268 | (1,732) |
| Miscellaneous | 1,000 | 500 | 408 | (92) |
| Supervisor | | | | |
| Salary | 5,347 | 5,347 | 5,347 | 0 |
| Supplies | 250 | 250 | 30 | (220) |
| Clerk | | | | |
| Salary | 13,721 | 13,721 | 13,721 | 0 |
| Deputy | 250 | 250 | 0 | (250) |
| Supplies | 2,000 | 2,000 | 525 | (1,475) |
| Audit | 2,000 | 2,000 | 1,650 | (350) |
| Board of Review | 1,000 | 1,000 | 360 | (640) |

TOWNSHIP OF ADAMS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

| | Original <u>Budget</u> | Amended <u>Budget</u> | <u>Actual</u> | Variance With Amended <u>Budget</u> |
|--------------------------------------|---------------------------|--------------------------|-------------------|--|
| Treasurer | | | | |
| Salary | 12,214 | 12,214 | 12,214 | 0 |
| Deputy | 250 | 250 | 0 | (250) |
| Dog license fees | 100 | 100 | 93 | (7) |
| Site tax | 1,000 | 1,000 | 655 | (345) |
| Supplies | 3,000 | 3,000 | 1,808 | (1,192) |
| Printing | 3,000 | 3,000 | 2,673 | (327) |
| Assessor | | | | |
| Contract services | 12,000 | 12,000 | 11,856 | (144) |
| Supplies | 2,000 | 2,000 | 1,217 | (783) |
| Elections | 2,000 | 2,000 | 579 | (1,421) |
| Building and grounds | | | | |
| Utilities | 800 | 800 | 566 | (234) |
| Repairs | 3,000 | 3,000 | 984 | (2,016) |
| Cemetery | | | | |
| Clerical salary | 1,730 | 1,730 | 1,730 | 0 |
| Maintenance | 5,000 | 5,500 | 5,400 | (100) |
| Public Safety | | | | |
| Fire contracts | 30,000 | 30,000 | 22,800 | (7,200) |
| Public Works | | | | |
| Roads | 86,325 | 86,325 | 64,241 | (22,084) |
| Road chloride | 18,400 | 18,400 | 18,400 | 0 |
| Street lights | 500 | 500 | 384 | (116) |
| Drains | 4,000 | 4,000 | 3,109 | (891) |
| Transfer station | 6,000 | 6,000 | 3,966 | (2,034) |
| Community & Economic Development | | | | |
| Zoning Administrator | 1,660 | 1,660 | 1,660 | 0 |
| Planning Commission/Board of Appeals | 6,000 | 6,000 | 1,930 | (4,070) |
| Culture & Recreation | | | | |
| Library | 10,850 | 10,850 | 10,350 | (500) |
| Capital Outlay | 0 | 0 | 7,145 | 7,145 |
| Transfers to other funds | <u>5,000</u> | <u>5,000</u> | <u>5,000</u> | <u>0</u> |
| Total charges to appropriations | <u>\$ 274,330</u> | <u>\$ 274,330</u> | <u>\$ 226,257</u> | <u>\$ (48,073)</u> |
| End of year fund balance | <u>\$ 395,924</u> | <u>\$ 395,924</u> | <u>\$ 497,900</u> | <u>\$ 101,976</u> |

TOWNSHIP OF ADAMS
BUDGETARY COMPARISON SCHEDULE
NORTHLAWN CEMETERY FUND
FOR THE YEAR ENDED MARCH 31, 2008

| | Original <u>Budget</u> | Amended <u>Budget</u> | <u>Actual</u> | Variance With Amended <u>Budget</u> |
|--------------------------------------|---------------------------|--------------------------|------------------|--|
| Beginning of year fund balance | \$ 32,234 | \$ 32,234 | \$ 32,234 | \$ 0 |
| Resources (inflows) | | | | |
| Charges for services | 11,000 | 11,000 | 11,495 | 495 |
| Interest income | 75 | 75 | 747 | 672 |
| Miscellaneous | 900 | 900 | 800 | (100) |
| Transfers from other funds | <u>5,000</u> | <u>5,000</u> | <u>5,000</u> | <u>0</u> |
| Amounts available for appropriation | <u>\$ 49,209</u> | <u>\$ 49,209</u> | <u>\$ 50,276</u> | <u>\$ 1,067</u> |
| Charges to appropriations (outflows) | | | | |
| General Government | | | | |
| Cemetery | | | | |
| Burials | \$ 5,000 | \$ 5,000 | \$ 2,550 | \$ (2,450) |
| Foundations | 7,000 | 7,000 | 2,220 | (4,780) |
| Mowing | 10,992 | 10,992 | 10,992 | 0 |
| Electricity | 130 | 130 | 97 | (33) |
| Flags | 600 | 750 | 744 | (6) |
| Snow removal | 700 | 700 | 0 | (700) |
| Tree trimming | 1,000 | 1,000 | 0 | (1,000) |
| Tractor repair | 1,100 | 1,100 | 104 | (996) |
| Grass seed & gravel | 1,000 | 1,000 | 160 | (840) |
| Miscellaneous | <u>500</u> | <u>350</u> | <u>14</u> | <u>(336)</u> |
| Total charges to appropriations | <u>\$ 28,022</u> | <u>\$ 28,022</u> | <u>\$ 16,881</u> | <u>\$ (11,141)</u> |
| End of year fund balance | <u>\$ 21,187</u> | <u>\$ 21,187</u> | <u>\$ 33,395</u> | <u>\$ 12,208</u> |

TOWNSHIP OF ADAMS
BUDGETARY COMPARISON SCHEDULE
INLAND LAKE IMPROVEMENT FUND
FOR THE YEAR ENDED MARCH 31, 2008

| | Original <u>Budget</u> | Amended <u>Budget</u> | <u>Actual</u> | Variance With Amended <u>Budget</u> |
|--------------------------------------|---------------------------|--------------------------|------------------|--|
| Beginning of year fund balance | \$ 36,437 | \$ 36,437 | \$ 36,437 | \$ 0 |
| Resources (inflows) | | | | |
| Property taxes | 32,000 | 32,000 | 28,000 | (4,000) |
| Miscellaneous | <u>100</u> | <u>100</u> | <u>117</u> | <u>17</u> |
| Amounts available for appropriation | <u>\$ 68,537</u> | <u>\$ 68,537</u> | <u>\$ 64,554</u> | <u>\$ (3,983)</u> |
| Charges to appropriations (outflows) | | | | |
| Public Works | | | | |
| Weed control | \$ 30,000 | \$ 30,000 | \$ 28,400 | \$ (1,600) |
| Engineering fees | 5,000 | 5,000 | 0 | (5,000) |
| Permits | 800 | 800 | 800 | 0 |
| Advertising | 500 | 500 | 0 | (500) |
| Supplies | <u>100</u> | <u>100</u> | <u>0</u> | <u>(100)</u> |
| Total charges to appropriations | <u>\$ 36,400</u> | <u>\$ 36,400</u> | <u>\$ 29,200</u> | <u>\$ (7,200)</u> |
| End of year fund balance | <u>\$ 32,137</u> | <u>\$ 32,137</u> | <u>\$ 35,354</u> | <u>\$ 3,217</u> |

TOWNSHIP OF ADAMS
BUDGETARY COMPARISON SCHEDULE
RECREATION FUND
FOR THE YEAR ENDED MARCH 31, 2008

| | Original <u>Budget</u> | Amended <u>Budget</u> | <u>Actual</u> | Variance With Amended <u>Budget</u> |
|--------------------------------------|---------------------------|--------------------------|-----------------|--|
| Beginning of year fund balance | \$ 418 | \$ 418 | \$ 418 | \$ 0 |
| Resources (inflows) | | | | |
| Interest income | 200 | 200 | 228 | 28 |
| Miscellaneous | <u>0</u> | <u>0</u> | <u>990</u> | <u>990</u> |
| Amounts available for appropriation | \$ <u>618</u> | \$ <u>618</u> | \$ <u>1,636</u> | \$ <u>1,018</u> |
| Charges to appropriations (outflows) | <u>618</u> | <u>618</u> | <u>0</u> | <u>(618)</u> |
| End of year fund balance | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 1,636</u> | <u>\$ 1,636</u> |

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF ADAMS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2008

| | Balance April 1, 2007 | Additions | Deductions | Balance March 31, 2008 |
|-----------------------|--------------------------|---------------------|---------------------|---------------------------|
| ASSETS | | | | |
| Cash | <u>\$ 12,838</u> | <u>\$ 1,430,409</u> | <u>\$ 1,434,301</u> | <u>\$ 8,946</u> |
| LIABILITIES | | | | |
| Due to Other Funds | \$ 12,838 | \$ 107,515 | \$ 111,080 | \$ 9,273 |
| Due to County | 0 | 736,585 | 736,585 | 0 |
| Due to (from) Schools | <u>0</u> | <u>586,309</u> | <u>586,636</u> | <u>(327)</u> |
| | <u>\$ 12,838</u> | <u>\$ 1,430,409</u> | <u>\$ 1,434,301</u> | <u>\$ 8,946</u> |

The accompanying notes are an integral part of this statement.

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

October 3, 2008

Adams Township
Hillsdale County, Michigan

In planning and performing our audit of the financial statements of Adams Township of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses; however, we did note certain matters involving the internal control structure that we recommend be addressed:

Cash

In light of the recent turmoil in the financial markets, the District may wish to review its exposure with regards to FDIC coverage. As of March 31, 2008, a total of \$192,350 was uninsured.


Investments

The Township should adopt a revised investment policy to comply with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 40.

Computer Controls

We recommend that computer files be backed up at least weekly, be properly labeled, and be stored off premises in a fireproof vault to ensure safe storage of computer information.

This communication is intended solely for the information and use of the Township Board and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.


Jonesville, Michigan
October 3, 2008

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESTOWN, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

October 3, 2008

To the Township Board
Township of Adams
Hillsdale County, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Township of Adams for the year ended March 31, 2008, and have issued our report thereon dated October 3, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 5, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to Township Clerk Beth Caswell.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Adams are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the calculation of depreciation expense on capital assets.

Management's estimate of the depreciation expense is based on estimating the useful lives of capital assets and spreading the assets cost out over their useful lives as depreciation expense. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 3, 2008.

Management Consultations with Other Independent Accountants

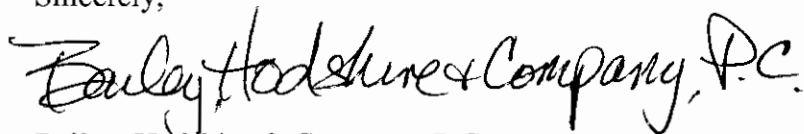
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of the Township of Adams and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Bailey, Hodshire & Company, P.C." in a cursive, flowing script.

Bailey, Hodshire & Company, P.C.